

Town of North Stonington, Connecticut

**Financial Statements
Internal Control Reports
and Compliance Reports**

For the Year Ended June 30, 2009

**Town of North Stonington, Connecticut
For the Year Ended June 30, 2009**

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Independent Auditors' Report

Board of Finance
Town of North Stonington, Connecticut
North Stonington, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of North Stonington, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the Town has implemented a new authoritative accounting pronouncement, Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, as of June 30, 2009. In addition, other prior period adjustments were made which are also discussed in Note 1.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

Management's Discussion and Analysis immediately following this report and budgetary comparison information included in Required Supplementary Information (RSI) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Stonington, Connecticut's basic financial statements. The combining and individual fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such combining and individual fund financial statements and supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2009 on our consideration of the Town of North Stonington, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Maier + Company

October 27, 2009

**Town of North Stonington, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

Our discussion and analysis of the Town of North Stonington's financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The major highlight is the world economy, the slow down of the new housing construction and sale of existing housing, the downsizing of companies with lay-offs, unemployment, and the banking crisis all happening at the same time during this fiscal year and all contributed to the decrease in revenues for the State and Town.
- The Tax Collection rates were above estimates and overall spending was less than authorized, which lead to an increase in the Town's unreserved fund balance which is \$1,227,530 at year end. An admirable accomplishment considering what will be known as one of the worst financial setbacks in history.
- In the last assessment year which was October 1, 2008 through September 30, 2009, the total number of residential sales was thirty five. The total appraised value of all the residential properties that sold was \$10,067,200. The total sale price on the properties sold was \$8,074,370. This shows that residential prices have dropped 20% over the last year based on a very small sample of thirty five sales. Vacant land based on seventeen sales shows a 24% drop in value. These figures are consistent with the real estate climate throughout the state.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the Government as a whole and present a longer-term view of the Government's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. The remaining statements provide financial information about activities for which the Government acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Government as a Whole

Our analysis of the Government as a whole begins with Exhibit 1. One of the most important questions asked about the Government's finances is, "Is the Government as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Town of North Stonington, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009

These two statements report the Government's *net assets* and changes in them. You can think of the Government's net assets—the difference between assets and liabilities—as one way to measure the Government's financial health, or *financial position*. Over time, *increases or decreases* in the Government's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Government's property tax base and the condition of the Government's roads, to assess the *overall health* of the Government.

In the Statement of Net Assets and the Statement of Activities, the Government shows the following activity:

- Governmental activities—The Government's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

Reporting the Government's Most Significant Funds

Our analysis of the Government's major funds begins in the section titled "The Government's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Government as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- *Governmental funds*—The Government's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Government's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources that can be spent in the near future to finance the Government's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

The Government as Trustee

The Government is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Government. The Government's fiduciary activities are reported in separate Statements of Fiduciary Net Assets in Exhibits 5 and 6. We exclude these activities from the Government's other financial statements because the Government cannot use these assets to finance its operations. The Government is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Town of North Stonington, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

THE GOVERNMENT AS A WHOLE

- As noted earlier, net assets may serve over time as a useful indicator of our financial position. In the case of North Stonington, assets exceeded liabilities by \$10,035,948, at the close of the fiscal year.
- The Government's combined net assets increased by \$201,189 from a year ago—increasing from \$9,834,759 to \$10,035,948. Last year net assets decreased by \$180,847. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Government.
- Our bonded debt decreased by \$600,000, 17.54%, during the current fiscal year and the Town received \$352,937 from the State of Connecticut to offset the principal payment.

**Table 1
Change in Net Assets (on Exhibit 1)**

	Change During Year			2008
	2009	Dollars	Percent	
Current and other assets	\$ 5,492,649	\$ (61,194)	-1.10%	\$ 5,553,843
Capital assets	8,841,416	210,257	2.44%	8,631,159
Total assets	14,334,065	149,063	1.05%	14,185,002
Long-term debt outstanding	3,821,990	(166,108)	-4.17%	3,988,098
Other liabilities	476,127	113,982	31.47%	362,145
Total liabilities	4,298,117	(52,126)	-1.20%	4,350,243
Net assets:				
Invested in capital assets, net of related debt	5,521,416	343,404	6.63%	5,178,012
Restricted - Expendable	45,154	(73,243)	-61.86%	118,397
Unrestricted	4,469,378	(68,972)	-1.52%	4,538,350
Total net assets	\$ 10,035,948	\$ 201,189	2.05%	\$ 9,834,759

- As noted, the net assets may serve over time as a useful indicator of our financial position. In the case of North Stonington, assets exceeded liabilities by \$10,035,948 at the close of the fiscal year.
- Approximately 55% of the Town's net assets reflect its investment in capital assets less any related debt used to acquire those assets still outstanding. The portion of the Town's net assets that are unrestricted is \$4,469,378 can be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the Town of North Stonington is able to report positive balances in both categories of net assets.

**Town of North Stonington, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

**Table 2
Change in Net Assets (on Exhibit 2)**

	2009	Change During Year		2008
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 562,194	\$ (64,724)	-10.32%	\$ 626,918
Operating grants and contributions	4,558,171	(81,890)	-1.76%	4,640,061
Capital grants and contributions	71,952	2,881	4.17%	69,071
General revenues:				
Property taxes	12,286,895	862,414	7.55%	11,424,481
Grants and contributions	969,895	490	0.05%	969,405
Interest and investment earnings	47,189	(65,839)	-58.25%	113,028
Gain (loss) on disposal of equipment	(80,988)	26,177	-24.43%	(107,165)
Other general revenues	-	(748)	-100.00%	748
Total revenues	<u>18,415,308</u>	<u>678,761</u>	<u>3.83%</u>	<u>17,736,547</u>
Program expenses				
General government	1,962,370	94,406	5.05%	1,867,964
Public safety	995,093	114,301	12.98%	880,792
Public works	1,721,462	(293,609)	-14.57%	2,015,071
Education	13,461,596	391,923	3.00%	13,069,673
Interest on long-term debt	73,598	(10,296)	-12.27%	83,894
Total expenses	<u>18,214,119</u>	<u>296,725</u>	<u>1.66%</u>	<u>17,917,394</u>
Increase (decrease) in net assets	<u>\$ 201,189</u>	<u>\$ 382,036</u>	<u>-211.25%</u>	<u>\$ (180,847)</u>

Also noted were:

- Operating grants for education were up (ECS up \$173,106; CT paid teacher's retirement increased \$195,230), but STEAP revenues went down. Last year the Town had received \$330,125.
- The mill rate used to calculate taxes went up approx 5% (18.6 to 19.5 mills).
- The net grand list increased 1.25% from \$601,723,223 to \$619,415,323.
- Public Safety – increased due to the purchase and delivery of an ambulance for the ambulance association.
- Public works was up last year because of the extension of the Route 2 waterline into the Village Water System in the amount of \$300,625 funded by a State of Connecticut STEAP Grant.

Governmental Activities

Table 3 presents the cost of each of the Government's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Government's taxpayers by each of these functions. Of the net expenditures \$8,861,529 was attributed to the Board of Education, \$931,230 to Public Safety, \$1,408,371 to Public Works, \$1,747,074 to General Government and \$73,598 to interest on long-term debt.

**Town of North Stonington, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

**Table 3
Governmental Type Activities**

	Total Cost of Services			Incr. Decr.	Net Cost of Services			Incr. Decr.
	2009	2008			2009	2008		
Governmental Activities								
General government	\$ 1,962,370	\$ 1,867,964	5.05%		\$ 1,747,074	\$ 1,247,729	40.02%	
Public safety	995,093	880,792	12.98%		931,230	763,507	21.97%	
Public works	1,721,462	2,015,071	-14.57%		1,408,371	1,715,946	-17.92%	
Education	13,461,596	13,069,673	3.00%		8,861,529	8,770,268	1.04%	
Interest on long-term debt	73,598	83,894	-12.27%		73,598	83,894	-12.27%	
Totals	\$ 18,214,119	\$ 17,917,394	1.66%		\$ 13,021,802	\$ 12,581,344	3.50%	

THE GOVERNMENT'S FUNDS

The year showed an increase in net assets and the fund balance as presented in Exhibits 3 and 4. The difference for this is primarily the treatment of long-term debt and capital assets. In the fund balance principal payments on long-term debt are a reduction in fund balance when the payments on the debt are made. Debt payments are never a direct reduction in net assets on the government-wide statements. Likewise, purchases of capital assets are a reduction in fund balance when the purchase is made. Capital asset purchases are never a direct reduction in net assets on the government-wide statements.

As of the close of the current fiscal year, North Stonington's governmental funds reported combined ending fund balances of \$2,955,299, an increase of \$371,190. This is a fourteen (14%) percent increase from last year, approximately \$2,683,034 or 91% of these funds are available for spending at the government's discretion (unreserved fund balance).

The Town of North Stonington purchased the Hewitt Farm property of 104 acres for a total cost with repairs to the Lewis Pond dam and facilities of \$814,390. The Town used \$110,000 of its open space fund, \$50,000 of Wetlands Mitigation monies and \$37,715 from the Planning and Zoning Open Space funds. The Town also used Capital Non Recurring funds of \$116,675, to complete the purchase. The Town financed \$500,000 for a four year period. The land has restricted uses of recreation, park, reforestation, and nursery farming. The property has a circa 1750 Farm House that must be maintained, a rental cottage and commercial restaurant on it that the Town receives rental money from each month. Twenty two acres of hayfields have been leased for an annual income of \$500.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriates increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriations up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be

**Town of North Stonington, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

**Table 4
General Fund - Budget Summary**

	Final		
	Budget	Actual	Variance
Revenues			
Property Taxes	\$ 12,016,241	\$ 12,204,373	\$ 188,132
Use of Town Money	75,000	42,772	(32,228)
Intergovernmental	4,834,745	4,873,847	39,102
Licenses, Fees, Fines and Charges	209,770	139,214	(70,556)
Other Revenue	1,468,844	1,031,590	(437,254)
Total Revenues	18,604,600	18,291,796	(312,804)
Expenditures			
General Government	4,306,508	4,118,145	188,363
Redemption of Debt	746,875	737,353	9,522
Capital Outlay	1,778,652	1,773,140	5,512
Education	11,902,560	11,669,490	233,070
Total Expenditures	18,734,595	18,298,128	436,467
Increase (Decrease) in Fund Balance	\$ (129,995)	\$ (6,332)	\$ 123,663

Breakdown of Expenses (Increases/Decreases)

	2009	+/-	2008
General Government	\$ 4,118,145	.052%	\$ 4,096,607
Redemption of Debt	737,353	- 3.6%	765,325
Capital	164,161	- 3.4%	250,788
Board of Education	11,669,490	1.0%	11,592,861

At the end of the current fiscal year the general fund unreserved balance is \$1,227,530, or about 6.7% of the total general fund expenditures of \$18,298,128. The Town of North Stonington's current year operations in the General Fund were \$123,663 better than expected due to fiscally responsible spending by the Town.

The Town's revenues decreased due to the dramatic downturn of the worldwide economy. The real estate market was the most significantly affected causing a decrease in conveyance tax collections of \$70,566, and the banking and financial markets caused a loss in use of Town money interest of \$32,228. The sales of Town vehicles was lower than anticipated due to the delay in delivery of the new fire truck and therefore the delay in the sale of the old engine. Despite these facts the general fund ended the year with a higher balance of \$1,227,530.

Additional appropriations totaled \$958,712 largely due to the purchase of the Hewitt property discussed above. The other additional appropriation funds were attributed to the DUI Enforcement Grant for the State Police of \$54,937, and the drainage project in Kingswood Meadowood of \$30,000, and the repair to the Boombridge Road bridge engineering of \$30,000. Police reimbursement decreased in this fiscal year due to slow cash flow from the

**Town of North Stonington, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

State of Connecticut and the decrease in DUI Grant funding allocations by the State of Connecticut.

Significant variances are summarized as follows:

- During this fiscal year tax collections were higher than estimated by \$188,132.
- Use of Town money interest earned was lower than budgeted due to economic factors by \$32,228.
- Licenses and Fees were down due to slow housing market by \$70,556.
- Other Town revenues were off by \$437,254 because the Town held off on financing the new fire truck until the next fiscal year; therefore no BAN revenues were received.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$8,841,416 invested government activity capital assets (From Footnotes). This amount represents a net increase (including additions and deductions) of \$210,257 from last year. This is primarily due to acquisition of the Hewitt Property. More detailed information about the Government's capital assets is presented in Note 5 to the financial statements.

Debt

At year end, the Government had \$3,320,000 in bonds and notes outstanding. This is a decrease of \$1,090,000 from last year. The Government's general obligation bond rating continues to carry an A₃ rating. More detailed information about the Government's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2009 budget and tax rates.

- Bank and Lease Interest Rates
- Inflation?
- Cost Trend Analysis of Significant Items-Oil, Electricity, Fuel, etc.
- Labor Contracts
- Litigation Pending/Outstanding
- Timetable of Payments from State and Federal Grants
- State and Federal Funding
- Staff Changes

**Town of North Stonington, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2009**

- Tax Collection Rates of Collection/Outstanding Balances
- Large Project Risks and Budget Projections

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Government's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at 40 Main Street, North Stonington, Connecticut 06359.

Town of North Stonington, Connecticut
Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,833,332
Receivables, net of allowance for collection losses	2,600,160
Due from fiduciary funds	13,410
Prepaid expenses	28,958
Other long-term assets	16,789
Capital Assets:	
Not being depreciated	953,240
Being depreciated, net of accumulated depreciation	<u>7,888,176</u>
Total assets	<u>14,334,065</u>
Liabilities	
Short-term note payable	40,000
Accounts payable	244,951
Accrued wages and benefits	112,801
Accrued interest payable	44,855
Deferred revenue	33,520
Noncurrent liabilities:	
Due within one year	1,175,851
Due in more than one year	<u>2,646,139</u>
Total liabilities	<u>4,298,117</u>
Net Assets	
Invested in capital assets, net of related debt	5,521,416
Restricted net assets:	
Expendable	45,154
Unrestricted net assets	<u>4,469,378</u>
Total net assets	<u><u>\$ 10,035,948</u></u>

The notes to the financial statements are an integral part of this statement.

Town of North Stonington, Connecticut
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Specific Revenues				Net (Expense) Revenue	
	Expenses	Charges for	Grants and Contributions			Total Government Activities
		Services	Operating	Capital		
General government	\$ (1,962,370)	\$ 188,642	\$ 3,813	\$ 22,841	\$ (1,747,074)	
Public safety	(995,093)	-	63,863	-	(931,230)	
Public works	(1,721,462)	132,444	131,536	49,111	(1,408,371)	
Education	(13,461,596)	241,108	4,358,959	-	(8,861,529)	
Interest on long-term debt	(73,598)	-	-	-	(73,598)	
Total governmental activities	\$ (18,214,119)	\$ 562,194	\$ 4,558,171	\$ 71,952	\$ (13,021,802)	
General revenues:						
Property taxes, payments in lieu of taxes, interest and liens					12,286,895	
Grants and contributions					969,895	
Interest and investment earnings					47,189	
Gain (loss) on disposal of equipment					(80,988)	
Miscellaneous					-	
Total general revenues					13,222,991	
Changes in net assets					201,189	
Net assets, beginning of the year					9,834,759	
Net assets, end of the year					\$ 10,035,948	

The notes to the financial statements are an integral part of this statement.

Town of North Stonington, Connecticut
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,879,417	\$ 907,369	\$ 46,546	\$ 2,833,332
Receivables	2,580,161	-	19,999	2,600,160
Due from other governmental funds	5,209	512,060	31,520	548,789
Due from fiduciary funds	1,786	-	11,624	13,410
Prepaid expenditures	28,958	-	-	28,958
Total assets	\$ 4,495,531	\$ 1,419,429	\$ 109,689	\$ 6,024,649
Liabilities and fund balance				
Liabilities				
Short-term note payable	\$ 40,000	\$ -	\$ -	\$ 40,000
Accounts payable	228,815	-	16,136	244,951
Accrued expenses	112,801	-	-	112,801
Deferred revenue	2,084,080	-	38,729	2,122,809
Due to other governmental funds	543,580	-	5,209	548,789
Total liabilities	3,009,276	-	60,074	3,069,350
Fund balance				
Reserved	258,725	-	13,540	272,265
Unreserved, reported in:				
General Fund	1,227,530	-	-	1,227,530
Special Revenue Fund	-	-	41,284	41,284
Capital Projects Fund - Designated	-	1,072,807	-	1,072,807
Capital Projects Fund	-	346,622	(5,209)	341,413
Total fund balance	1,486,255	1,419,429	49,615	2,955,299
Total liabilities and fund balance	\$ 4,495,531	\$ 1,419,429	\$ 109,689	

Reconciliation of net assets to fund balances - total governmental funds:

Less: Long-term liabilities not due and payable in current period:	
Bonds, notes, capital leases payable and unamortized premiums on bond costs	(3,416,000)
Compensated absences and special termination benefits	(405,990)
Accrued interest payable	(44,855)
Plus:	
Deferred charges on bond costs (to be amortized over the life of the bond)	16,789
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	8,841,416
Other long-term assets not available to pay for current period expenditures, recorded as deferred revenue in the funds	2,089,289

Net assets reported on the government-wide financial statements (Exhibit 1) **\$ 10,035,948**

The notes to the financial statements are an integral part of this statement.

Town of North Stonington, Connecticut
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property taxes, interest and lien fees	\$ 12,204,373	\$ -	\$ -	\$ 12,204,373
Intergovernmental revenues	5,753,989	-	384,570	6,138,559
Local revenues	399,186	4,003	208,054	611,243
	<u>18,357,548</u>	<u>4,003</u>	<u>592,624</u>	<u>18,954,175</u>
Expenditures				
Current expenditures:				
General government	2,629,766	-	-	2,629,766
Public safety	839,149	-	-	839,149
Public works	1,425,438	-	-	1,425,438
Education	11,613,316	-	608,291	12,221,607
Capital outlay	888,049	341,623	-	1,229,672
Debt service	737,353	-	-	737,353
	<u>18,133,071</u>	<u>341,623</u>	<u>608,291</u>	<u>19,082,985</u>
Excess (deficiency) of revenues over expenditures	<u>224,477</u>	<u>(337,620)</u>	<u>(15,667)</u>	<u>(128,810)</u>
Other financing sources (uses)				
Proceeds from and premium on long-term debt	500,000	-	-	500,000
Operating transfers in	314,390	883,245	-	1,197,635
Operating transfers out	(883,245)	(226,675)	(87,715)	(1,197,635)
	<u>(68,855)</u>	<u>656,570</u>	<u>(87,715)</u>	<u>500,000</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	155,622	318,950	(103,382)	371,190
Fund balance, beginning of the year	<u>1,330,633</u>	<u>1,100,479</u>	<u>152,997</u>	<u>2,584,109</u>
Fund balance, end of the year	<u>\$ 1,486,255</u>	<u>\$ 1,419,429</u>	<u>\$ 49,615</u>	<u>\$ 2,955,299</u>
Reconciliation of the statement of revenues, expenditures and changes in fund balances (above) to the statement of activities (Exhibit 2)				
Net change in fund balances - total governmental funds (above)				\$ 371,190
Transactions involving the treatment of capital outlays:				
Plus: Capital outlays treated as expenditures here, but capitalized on Exhibit 2				656,160
Less: Depreciation expense recorded in Exhibit 2, but not considered in the fund statements				(353,800)
Net effects of various transactions involving fixed assets:				
Less: Book value of disposed capital assets not reported in this statement				(92,103)
Transactions involving the treatment of long-term debt:				
Less: Long-term debt issued or incurred:				
Issuance of and premium on bond anticipation notes				(500,000)
Plus: Principal repayments:				
General obligation bonds and related premiums				600,000
Capital lease financing				33,147
Post-closure landfill costs				6,000
Changes in other items not requiring the use of current financial resources:				
Compensated absences and other post employment benefits payable				26,961
Accrued interest payable				(17,381)
Amortization on issue premium/costs on bonds				(3,498)
Revenue in the Statement of Activities (Exhibit 2) that is deferred in this statement				
State reimbursement of bond principal				(352,938)
State reimbursement of LOCIP expenses				(1,188)
Other state grants				(16,823)
Taxes, interest and lien fees				(17,538)
Changes in net assets of governmental activities (Exhibit 2)				<u>\$ 338,189</u>

The notes to the financial statements are an integral part of this statement.

Town of North Stonington, Connecticut
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Total Pension Trust Funds	Agency Funds
<hr/>		
Assets		
Cash and cash equivalents	\$ 952	\$ 484,074
Investments in insurance annuities	1,152,405	-
Accounts receivable	81,778	-
	<hr/>	
Total assets	1,235,135	484,074
	<hr/>	
Liabilities		
Due to students and developers	-	470,664
Due to governmental funds	-	13,410
	<hr/>	
Total liabilities	-	484,074
	<hr/>	
Net assets		
Held in trust for pension benefits	\$ 1,235,135	\$ -
	<hr/> <hr/>	

The notes to the financial statements are an integral part of this statement.

Town of North Stonington, Connecticut
Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2009

	<u>Pension Trust Funds</u>
Additions	
Employer contributions	\$ 116,547
Investment income	<u>3,239</u>
Total additions in net assets	<u>119,786</u>
Deductions	
Benefits paid to plan members	33,330
Administrative expenses	<u>23,533</u>
Total deductions	<u>56,863</u>
Change in net assets	62,923
Net assets held in trust, beginning of year	<u>1,172,212</u>
Net assets held in trust, end of year	<u><u>\$ 1,235,135</u></u>

The notes to the financial statements are an integral part of this statement.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

Note 1 - Summary of Significant Accounting Policies

A. Reporting entity

The Town of North Stonington, Connecticut (Town) is a municipal corporation governed by a selectmen–town meeting form of government. Under this form of government the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes and borrow money. The administrative branch is led by an elected three member board of selectmen. The selectmen oversee most of the activities not assigned specifically to another body. An elected board of education oversees the public school system. An elected board of finance is the budget making authority and supervises the town's financial matters.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criterion provided by the Government Accounting Standards Board has been considered, and there are no agencies or entities which should be presented with this government.

B. Government-wide and fund financial statements

The *government-wide financial statements* (Exhibits 1 and 2) report information on all of the non-fiduciary activities of the primary government. Fiduciary funds are excluded from the government-wide financial statements. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Town's policy is to use its restricted resources first. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate *fund financial statements* are provided for governmental funds and fiduciary funds (Exhibits 3 through 6). *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. *Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the governments own programs.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Nonrecurring Fund* is used to accumulate funds for significant purchases.

Additionally, the town reports the following fiduciary fund types:

The *Pension Trust Funds* are used to accumulate resources to be used for retirement benefits.

Agency Funds account for monies held as a custodian for outside groups and agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

D. Assets, liabilities, and net assets

1) Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Town are generally reported at fair value. Nonparticipating, interest-earning investment contracts are generally reported at cost plus accrued earnings.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes. In general for most of the funds, this includes deposits in allowable banks, obligations of the United States of America and obligations of any State or political subdivision, which is tax exempt. Certain Fiduciary Funds are allowed more flexibility in investing.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Interest Rate Risk – Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

2) Receivables

Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing, July 1st, to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is calculated based on prior experience.

3) Activity between funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in appropriate governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

4) Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5) Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land is considered inexhaustible and, therefore, not depreciated. Property, plant, and equipment of the Town are depreciated using the straight line method over the following estimated useful lives:

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

Assets	Years	Capitalization Threshold
Land	N/A	\$0
Buildings and improvements	75	\$10,000
Trucks	20	\$10,000
Equipment and furniture	20	\$2,000
Electronic equipment	4	\$2,000
Infrastructure:		
Bridges	75	\$50,000
Roads and drainage	20	\$10,000
Sidewalks	50	\$10,000
Stone bridge/culverts	50	\$25,000

6) *Compensated absences*

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability for unpaid accumulated sick leave since the Town has a policy to pay any amounts when employees separate from service with the Town. All vacation and sick pay benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and/or retirements.

7) *Long-term obligations*

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8) *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

E. Subsequent Events

Subsequent events have been evaluated through the date of this report, October 27, 2009.

F. Changes in Financial Statements

The Town implemented Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, as of June 30, 2009. This statement requires actuarial calculations for other post employment benefits (OPEB) such as health insurance.

The Town also made two prior period adjustments to beginning Net Assets:

- Net assets were reduced by \$136,000 to record the net other post employment benefit required under GASB 45 to the prior year. This was done so the financial statements would match the amortization period on the actuarial calculations.
- Also, the Town corrected the beginning balance in capital assets. This reduced Net Assets by \$31,796.

Note 2 - Budgeting

A. Budget Basis

A formal, legally approved, annual budget is adopted for the General Fund. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- **Teacher's Retirement** - The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures. On the statements prepared under Generally Accepted Accounting Principles, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities.
- **Cash Basis** - The modified accrual basis requires current costs to be included in expenditures in the year in which they were incurred. The Town uses the cash basis for certain expenditures. The cash basis records current costs in expenditures in the year in which they were paid. The general government payroll and the Board of Education pension contribution are both recorded on a cash basis.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

- **Debt Revenue and Expenditures** - The modified accrual basis of accounting includes revenue for new long-term debt or capital leases. The modified accrual basis shows expenditure for the payment of the debt paid off with the new debt or for the piece of equipment purchased in a capital lease. The town nets these revenues and expenditures in the budget.

B. Budget Calendar

The Boards of Selectmen and Education submit requests for appropriation(s) to the Board of Finance. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting, the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

C. Budget Control

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. During the year \$958,712 of additional appropriations were made.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

Note 3 – Deposits and Investments

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at year end:

Governmental Funds	\$ 2,833,332
Pension Trust Funds	952
Agency Funds	484,074
Total Cash and Cash Equivalents	<u><u>\$ 3,318,358</u></u>

B. Custodial Credit Risk on Deposits

As of June 30, 2009, the carrying amount of the Town's deposits with financial institutions was:

Deposits	\$ 3,105,251
Pooled Investment Funds	213,107
Total Cash and Cash Equivalents	<u><u>\$ 3,318,358</u></u>

The bank balance of the deposits of \$3,522,064 was exposed to custodial credit risk as follows:

1 Covered by Federal Depository Insurance	\$ 815,943
2 Collateralized with securities held by the pledging institution's trust	
a. In the Town's name	2,065,672
b. Not in the Town's name	-
3 Uninsured and uncollateralized	640,449
Total Deposits	<u><u>\$ 3,522,064</u></u>

C. External Investment Pools Treated as Cash and Cash Equivalents

The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool. The pool, Short-Term Investment Fund (STIF), is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

D. Investments

At June 30, 2009, the Town's investments consisted of the following:

	Pension Trust Funds
Annuity Contracts	\$ 147,477
Equity Mutual Funds	1,004,928
	<u>\$ 1,152,405</u>

E. Credit Risk and Interest Rate Risk of Investments

As of June 30, 2009 the range of maturities of the investments was as follows:

Type of Investment	Avg. Credit Rating	Fair Value	Investment Maturity		
			N/A	Less than 1 Year	1 to 5 Years
Annuity Contracts	**	\$ 147,477	\$ 147,477	\$ -	\$ -
Equity Mutual Funds	NA	1,004,928	1,004,928	-	-
		<u>\$ 1,152,405</u>	<u>\$ 1,152,405</u>	<u>\$ -</u>	<u>\$ -</u>

**** Annuity Contracts** – The Town invests in annuity contracts. These are considered to be guaranteed investment contracts (GICs). They are general obligation instruments issued by an insurance company over a specified period. They are uncollateralized and unsecured annuities held in annuity trust funds of various insurance companies.

Note 4 - Receivables

Receivables as of year end for the Town's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Other Governmental Funds	Fiduciary Funds
Taxes *	\$ 424,904	\$ -	\$ -
Interest and fees on back receivables *	159,779	-	-
Long-term school construction grant *	1,658,802	-	-
Intergovernmental	398,533	19,999	81,778
Other	28,976	-	-
Gross receivables	2,670,994	19,999	81,778
Less: allowance for uncollectibles	(90,834)	-	-
Net total receivables	<u>\$ 2,580,160</u>	<u>\$ 19,999</u>	<u>\$ 81,778</u>

* Not expected to be collected within one year

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent net property taxes, interest and liens receivable	\$ 376,167	\$ -
Reimbursements on school bond payments	1,658,802	-
Grants that were not received in 60 days	54,320	-
Grants that are not earned yet	-	33,520
Total deferred/unearned revenue for governmental funds	<u>\$ 2,089,289</u>	<u>\$ 33,520</u>

Note 5 - Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 778,540	\$ 174,700	\$ -	\$ 953,240
Capital assets being depreciated:				
Buildings and Improvements	12,181,382	425,300	-	12,606,682
Furniture and Equipment	5,737,679	56,160	(262,192)	5,531,647
Infrastructure	204,943	-	-	204,943
	<u>18,124,004</u>	<u>481,460</u>	<u>(262,192)</u>	<u>18,343,272</u>
Accumulated depreciation:	<u>(10,271,385)</u>	<u>(353,800)</u>	<u>170,089</u>	<u>(10,455,096)</u>
Capital assets, net	<u>\$ 8,631,159</u>	<u>\$ 302,360</u>	<u>\$ (92,103)</u>	<u>\$ 8,841,416</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 33,412
Public works	164,603
Public safety	18,291
Education	137,494
Total depreciation expense	<u>\$ 353,800</u>

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

Note 6 - Interfund Activities

A. Interfund transfers:

Interfund transfers are generally used to transfer monies raised in taxes to other funds. During the year restricted fees in the Other Funds were transferred to the General Fund to finance a land purchase:

	Transfers in to:		
	General Fund	Capital Non-recurring Fund	Total
Transfers out of:			
General Fund	\$ -	\$ 883,245	\$ 883,245
Capital Nonrecurring Fund	226,675	-	226,675
Other Funds - Inland Wetland Mitigation	50,000		50,000
Other Funds - Open Space	37,715	-	37,715
Total transfers out	<u>\$ 314,390</u>	<u>\$ 883,245</u>	<u>\$ 1,197,635</u>

B. Advance to/from other funds

There are no long-term loan agreements on the interfund balances.

C. Due to/from other funds

The following are temporary borrowings between funds. These are either expected to be paid off within one year or have no agreed payment terms:

Receivable Fund	Payable Fund	Amount
Special Revenue - Special Education Grants	General Fund	\$ 31,520
Capital Projects - Capital Nonrecurring	General Fund	512,060
General Fund	Capital Projects - LOCIP Fund	5,209
General Fund	Agency Fund - Student Activity	1,786
Special Revenue - Scholarships	Agency Fund - Student Activity	11,624
		<u>\$ 562,199</u>

Note 7 – Long-Term and Short-Term Debt

A. Changes in long-term liabilities

Long-term debt activity for the year ended June 30, 2009, was as follows:

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

	Opening Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
School Construction	\$ 3,420,000	\$ -	\$ (600,000)	\$ 2,820,000	\$ 590,000
Bond Anticipation Note	-	500,000	-	\$ 500,000	500,000
Compensated Absences	159,951	-	(25,961)	133,990	79,851
Post Closure Landfill Costs	102,000	-	(6,000)	96,000	6,000
Net OPEB Obligation (Note 14)	136,000	273,000	(137,000)	272,000	-
Capital Lease	33,147	-	(33,147)	-	-
	<u>\$ 3,851,098</u>	<u>\$ 773,000</u>	<u>\$ (802,108)</u>	<u>\$ 3,821,990</u>	<u>\$ 1,175,851</u>
Bond Issue Costs (Asset)	<u>\$ (20,287)</u>	<u>\$ -</u>	<u>\$ 3,498</u>	<u>\$ (16,789)</u>	<u>\$ (3,498)</u>

B. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as 20 year serial bonds with principal maturing each year. Payments on these bonds have been made out of the General Fund and are all charged to expenditures. General obligation bonds currently outstanding are as follows:

Purpose	Original Amount	Matures in Year Ending	Interest Rates	Amount
School Construction	\$ 7,025,000	2014	2.00%-5.00%	\$ 2,820,000
Hewitt Property	\$ 500,000	2010	2.50%	\$ 500,000

Annual debt service requirements to maturity for general obligation bonds are as shown in the following schedule.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 1,090,000	\$ 124,875
2011	575,000	91,725
2012	565,000	71,600
2013	550,000	49,000
2014	540,000	27,000
Total	<u>\$ 3,320,000</u>	<u>\$ 364,200</u>

C. Post Closure Landfill Costs

The Town has a closed landfill with no further capacity or estimated useful life. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for thirty years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Total estimated costs based on the current actual costs are included in the General Long-Term Debt Account Group. The actual costs may vary based on actual events, inflation, changes in technology and applicable laws and regulations. During the year there were no actual costs incurred.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

D. Short-Term Debt

The Town issued bond anticipation notes in the amount of \$500,000. These are due September 10, 2009 together with interest in the amount of \$12,500. Of the total amount, \$375,000 will be refinanced at that time with a new bond anticipation note (See Note 14 – Subsequent Events). Therefore, this has been treated as long-term debt in these financial statements.

The Town also obtained debt in the amount of \$40,000 in the General Fund for the purchase of a truck. This will be paid off on its due date of August 14, 2009. Therefore, this has been treated as short-term debt in these financial statements.

E. Debt Limitations under Connecticut State Statutes

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of North Stonington, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year	\$ 12,142,297
Reimbursements for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	32,602
Debt limitation base	<u>\$ 12,174,899</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 27,393,523	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	54,787,046	-	-	-
3 3/4 times base	-	-	45,655,871	-	-
3 1/4 times base	-	-	-	39,568,422	-
3 times base	-	-	-	-	36,524,697
Total debt limitation	<u>27,393,523</u>	<u>54,787,046</u>	<u>45,655,871</u>	<u>39,568,422</u>	<u>36,524,697</u>

Indebtedness:					
Bonds and notes payable	500,000	2,820,000	-	-	-
Amount to be provided by CT	-	(1,658,802)	-	-	-
Total indebtedness	<u>500,000</u>	<u>1,161,198</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt limitation in excess of debt outstanding and authorized	<u>\$ 26,893,523</u>	<u>\$ 53,625,848</u>	<u>\$ 45,655,871</u>	<u>\$ 39,568,422</u>	<u>\$ 36,524,697</u>
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In no case shall total indebtedness exceed seven times annual receipts from taxation	<u>\$ 85,224,293</u>
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Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

F. Refinancing of Bonds

On August 15, 2002 the Town issued \$7,025,000 in General Obligation Bonds with variable interest rates from 2.0% to 5.0% to advance refund \$6,420,000 of outstanding bonds with average interest rates from 5.3% to 6.5% percent. The net proceeds were used to establish an irrevocable escrow agreement with the escrow agent whereby the Town has deposited monies with the escrow agent to purchase a portfolio of non-callable direct obligations of, or guaranteed by, the United States of America. The principal and interest of this portfolio will provide amounts sufficient to meet principal and interest payments on the old debt when due. As a result, the old bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt. The balance of the in-substance defeased debt which remains outstanding at June 30th is \$2,675,000.

Note 8 – Equity

A. Reserved Fund Balances

Fund Balances are reported in the Fund Financial Statements. Reserved Fund Balances represent those portions of the fund equity not available for appropriation for expenditures or legally segregated for a specific future use. At June 30, 2009 this consisted of:

	General Fund	Other Funds
Encumbrances	\$ 227,111	\$ -
Town clerk	31,614	-
Open space	-	13,157
Inland wetland mitigation	-	383
	<u>\$ 258,725</u>	<u>\$ 13,540</u>

B. Designated Fund Balances

Designated Fund Balances represent those portions of fund balance in the fund financial statements for which the Town has tentative plans for future uses of these financial resources. The Capital Nonrecurring Fund has \$1,072,807 designated for specific projects.

C. Deficit Fund Balances

The Capital Project Fund, LOCIP Fund, had a deficit fund balance of \$5,209. This is expected to turn around in the next fiscal year as the revenue becomes available.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

D. Restricted Net Assets

Restricted Net Assets are reported when constraints placed on net assets are either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation of the Town. At year end there was \$45,154 of fees restricted for specific purposes included in expendable Net Assets.

Note 9 - Employee Retirement Systems and Pension Plans

The Town maintains four defined contribution plans (sections A through D). The plans described below in sections A, B and C and the residual balance in the plan shown in section D below are required to be reported as pension trust funds on the financial statements. The pension funds can be changed based on a change in Town policy and the agreement of the collective bargaining units. Section E is a state funded defined benefit plan for the certified education personnel.

A. North Stonington Volunteer Fire Department

Eligibility to participate in the plan is based upon minimum age and months of service requirements. Participants are fully vested in year five of participation and are unvested prior to that time. Retirement benefits are paid following the participants' attainment of age 65 and completion of three years of participation.

Under the plan agreement, there is no funding obligation for either the Town or the plan participants. The Town reserves the right to make any amendments to the plan and may terminate the plan at any time. For the year ended June 30, 2009 the Town contributed \$17,738 to the plan. The plan is administered by Volunteer Firemen's Services, Inc.

B. North Stonington Volunteer Ambulance Association

Eligibility to participate in the plan is based upon minimum age and months of service requirements. Participants are fully vested in year five of participation and are unvested prior to that time. Retirement benefits are paid following the participants' attainment of age 65 and completion of three years of participation.

Under the plan agreement, there is no funding obligation for either the Town or the plan participants. The Town reserves the right to make any amendments to the plan and may terminate the plan at any time. For the year ended June 30, 2009 the Town contributed \$2,287 to the plan. The plan is administered by Volunteer Firemen's Services, Inc.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

C. Board of Education Pension Plans

- A. Plan #2119** - Eligibility in the plan is limited to secretaries, custodians, and the cafeteria administrator all of whom must have completed one-half year of service and have attained the age of twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes an amount equal to 10% of each participant's compensation. Participants are fully vested immediately upon participation in the plan. For the year ended June 30, 2009 the Town contributed \$27,980 to the plan. The plan is administered by National Retirement Services, Inc. The plans provisions have been negotiated with the respective collective bargaining units.
- B. Plan #30027** - Eligibility in the Board of Education CNBU Money Purchase plan is limited, with the exception of 2 named employees, to those employees of the board of education who are not participants in the Board of Education Pension Plan (Note 9C above). All participants must have completed six months of service and must have attained age twenty and one-half. Participants may contribute voluntarily to the plan. The Town annually contributes 14% of each participant's compensation. Participants are fully vested immediately upon participation in the plan. For the year ended June 30, 2009 the Town contributed \$53,798 to the plan. The plan is administered by National Retirement Services, Inc. The plans provisions have been negotiated with the respective collective bargaining units.

D. General Government Pension Plan

Eligibility in the plan is limited to the Town Clerk, Tax Collector, members of the United Steelworkers of America (USWA), Municipal Employees Union Independent (MEUI), and Salaried Employees of North America (a division of the USWA) who have completed one year of service. Participants may voluntarily contribute to the plan. The Town's funding policy is as follows:

Municipal Employee Union Independent	7.5% of annual compensation
United Steelworkers of America	8.75% of annual compensation
All Other Participants employed before 12/01/96	10% of annual compensation
All Other Participants employed on or after 12/01/96	4% of annual compensation

For the year ended June 30, 2009 the Town contributed \$89,199 to the plan all of which is allocated to the participants' individual retirement accounts not included in the Town's basic financial statements. The Town had a residual balance from a prior plan of \$952. The plan is administered by the Town.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

E. Teachers' Retirement System

Teachers and certain other certified personnel in the Town are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut. The financial report may be obtained through the State Teacher's Retirement Board.

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary, or be less than \$3,600. Benefits are fully vested after ten years of service.

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2009, the State contributed \$880,142 into the pension plan on behalf of the Town of North Stonington, Connecticut. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2009 was \$7,879,453 of which \$5,699,995 was covered under this pension plan.

Note 10 - Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

Note 11 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Note 12 – Other Post Employment Benefits (OPEB)

A. Plan Description

The North Stonington Public Schools Other Post Employment Benefit Program is a single-employer defined benefit plan administered by the Town of North Stonington, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

Eligibility	Teachers and Administrators - A Teacher or Administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse.
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Normal Retirement for Teachers and Administrators is the earlier of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early retirement is the earlier of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.

Secretaries and Non Union - A member retiring with age 55 years or older shall be eligible to continue health insurance coverage for self and spouse. Coverage is pre-65 only.

Cost Sharing	All retirees pay 100% of the premiums
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Life Insurance	Administrators - \$50,000 from retirement until age 65 at Board's expense provided member worked at least 7 years for the Board of Education as an administrator
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Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

B. Actuarial Assumptions and Methods

Latest Actuarial Date	July 1, 2009
Actuarial Cost Method	Projected Unit Credit
Discount Rate	4.00%
Payroll Growth Rate	4.50%
Medical Inflation	Initial rate of 6.6% grading down to an ultimate inflation rate of 4.4% over a 51 year period.
Amortization Method	Level percentage of projected payroll
Remaining amortization	28 years, closed
Healthy Mortality	Teachers and Administrators – RP-2000 projected forward 19 years using scale AA, with a two year set back All others – RP-2000 projected to the valuation year plus 10 years for males and females and separate tables for active employees and annuitants
Disabled Mortality	Teachers and Administrators – RP-2000 projected forward 19 years using scale AA, with an eight year age set forward for males and females All others – RP-2000 projected to the valuation year plus 10 years for males and females and separate tables for active employees and annuitants
Turnover	Teachers and Administrators – rates based on gender and length of service for the first ten years and gender and age thereafter. All others – rates based on age.
Retirement	Teachers and Administrators – rates based on age, eligibility for pension benefits, and gender All others – 5% at age 55 with 10 years of service as a base and increasing from there.
Disability	Teachers and Administrators – rates based on age and gender All Others – rates are in accordance with the 985 Pension Disability Table (DP-85 Table), Class 1.
Future Retiree Coverage	Teachers and Administrators – 95% are assumed to elect coverage at retirement All Others – 10% are assumed to elect coverage at retirement
Future Dependent Coverage	Male 50%; Female 30% with female spouses assumed to be 3 years younger than males.
Future Post-65 Coverage	Teachers and Administrators – All Medicare eligible actives and pre-65 retirees are assumed to enroll in retiree health coverage through the Connecticut State Teachers Retirement System at age 65. 75% of Non-Medicare eligible members are assumed to continue health coverage through the Board. All Others – N/A

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

C. Schedule of Funding Progress

There is no requirement for funding and the plan has not been funded. The Town has not yet established a formal funding plan or a trust at this time.

Below is a schedule of funding progress. (Data in the table below is only presented since the year of transition.)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 3,078,000	\$ 3,078,000	0.00%	NA	NA

D. Schedule of Employer Contributions

The schedule of employer contributions is as follows. (Data in the table below is only presented since the year of transition):

Year Ended June 30	Annual Required Contributions	Actual Contributions Made	Percentage Contributed
2009	\$273,000	\$ 137,000	50.18%
2008	\$273,000	\$ 137,000	50.18%

E. Annual Required Contribution (ARC)

The Annual Required Contribution (ARC) for the OPEB program consists of two pieces:

Past Service Cost (a catch-up accrual to amortize the Unfunded Accrued Liability). The amortization period is 30 years starting on July 1, 2007. The ARC is assumed to be paid at the beginning of the fiscal year. Interest is also calculated on the Unfunded Accrued Liability and added to the Annual Required Contribution.

Normal Cost is the present value of the portion of the projected benefit attributable to the current year (the cost of benefits earned each year should be accrued in that year), plus

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The annual calculation of Annual Pension cost (APC) and Net Pension Obligation (NPO) is as follows. (Data in the table below is only presented since the year of transition):

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

Past Service Cost	\$ 158,000
Normal Cost	95,000
Interest	<u>20,000</u>
Annual Required Contribution (ARC)	<u>273,000</u>
Expected Benefit Payouts	<u>(137,000)</u>
Increase in Net OPEB Obligation	<u><u>\$ 136,000</u></u>

F. Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation (asset):

Annual required contribution (ARC)	\$ 273,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	273,000
Contributions made	<u>(137,000)</u>
Increase (decrease) in net OPEB obligation	136,000
Net OPEB obligation (asset), beginning of year	<u>136,000</u>
Net OPEB obligation (asset), end of year	<u><u>\$ 272,000</u></u>

The Net OPEB Obligation history is as follows. (Data in the table below is only presented since the year of transition):

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2009	\$ 273,000	\$ 137,000	0.0%	\$ 272,000
6/30/2008	\$ 273,000	\$ 137,000	0.0%	\$ 136,000

G. Other Disclosures

The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Town of North Stonington, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2009

Note 14 – Subsequent Events

The Town refinanced \$375,000 of the \$500,000 bond anticipation note balance at the end of the year. In addition, the town issued an additional \$365,000 in debt for the purchase of a truck. Both of these transactions will be funded with a \$740,000 bond anticipation note. The note will have a one year maturity and an interest rate of 2.43 percent. It will be due by September 10, 2010.

Note 15 – GASB Pronouncements Issued, But Not Effective Yet

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB #51 – *Accounting and Financial Reporting for Intangible Assets* – This will be effective for the year ending June 30, 2010. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets (including easements, water rights, timber rights, patents, trademarks, and computer software) to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.
- GASB #53 – *Accounting and Financial Reporting for Derivative Instruments* - This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This is effective for the year ending June 30, 2010.
- GASB #54 – *Fund Balance Reporting and Governmental Fund Type Definitions* – This statement provides clearer fund balance classifications that can be more consistently applied. This is effective for the year ending June 30, 2011.

Town of North Stonington, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund and Town Aid Road Fund
For the Year Ended June 30, 2009

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Revenues:					
Taxes, Interest, and Lien Fees					
General Property Taxes - Current	\$ 11,716,241	\$ -	\$ 11,716,241	\$ 11,800,262	\$ 84,021
General Property Taxes - Past	125,000	-	125,000	199,457	74,457
Supplemental Motor Vehicles	100,000	-	100,000	99,206	(794)
Interest and Lien Fees	75,000	-	75,000	105,448	30,448
Total Taxes, Interest and Lien Fees	12,016,241	-	12,016,241	12,204,373	188,132
Use of Town Money					
Short Term Investment Interest	75,000	-	75,000	42,772	(32,228)
Total Revenue - Use of Town Money	75,000	-	75,000	42,772	(32,228)
Intergovernmental Revenues					
State Aid for Town Road	121,319	-	121,319	121,473	154
Local Capital Improvement Program Current	49,682	-	49,682	18,986	(30,696)
Local Capital Improvement Program Reserve	1	-	1	-	(1)
Education Cost Sharing	2,892,440	-	2,892,440	2,913,921	21,481
Local and Vocational Transportation	118,341	-	118,341	113,068	(5,273)
Excess Special Education/State Agency Placement	42,999	-	42,999	45,098	2,099
Tuition Reimbursement	40,653	-	40,653	35,267	(5,386)
Regional Adult Education	6,817	-	6,817	7,287	470
Magnet School Transportation	7,800	-	7,800	7,800	-
Reimbursement for Untaxed State Property (PILOT)	28,412	-	28,412	28,597	185
School Bond - Interest Reimbursement	58,277	-	58,277	58,277	-
School Bond - Principal Reimbursement	352,937	-	352,937	352,937	-
Police Reimbursement	53,000	-	53,000	89,726	36,726
Casino Revenue	969,682	-	969,682	969,895	213
Telecommunications Revenue Share	39,575	-	39,575	28,491	(11,084)
Veterans Exemption Reimbursement	3,030	-	3,030	6,396	3,366
Boating Safety Reimbursement	3,460	-	3,460	3,642	182
Elderly Exemption Reimbursement	32,000	-	32,000	32,602	602
Disabled Exemption Reimbursement	300	-	300	332	32
Record Preservation	7,000	-	7,000	7,000	-
Other Intergovernmental Revenues	-	-	-	5,001	5,001
STEAP Grant Revenue	-	-	-	21,085	21,085
Additional Special Education Grant	1	-	1	-	(1)
Sevices for the Blind	-	-	-	700	700
Non-Public Nurse Reimbursement	5,519	-	5,519	4,574	(945)
Registrar of Voters	1,500	-	1,500	1,692	192
Total Intergovernmental Revenues	4,834,745	-	4,834,745	4,873,847	39,102
Licenses, Fees, Fines and Charges					
Licenses, Permits, Conveyance Taxes	120,000	-	120,000	67,468	(52,532)
Recreation Commission	50,020	-	50,020	40,711	(9,309)
Building Official	35,250	-	35,250	28,362	(6,888)
Sanitarian	2,000	-	2,000	585	(1,415)
Town Clerk Restoration Fees	2,500	-	2,500	2,088	(412)
Total Licenses, Fees, Fines and Charges	209,770	-	209,770	139,214	(70,556)
Other Revenue					
Sanitary Landfill - Sale of Recyclables	25,000	-	25,000	20,565	(4,435)
Zoning Enforcement Officer	4,200	-	4,200	2,978	(1,222)
Canine Account	50	-	50	165	115
Town Engineering - Road Inspection	5,000	-	5,000	-	(5,000)
Sale of Town Vehicles	50,000	-	50,000	11,115	(38,885)
Planning and Zoning	6,500	-	6,500	1,631	(4,869)
Assessor's Office	1,000	-	1,000	885	(115)
GIS Services	1,000	-	1,000	34	(966)
LoCIP Town Clerk	-	-	-	3,018	3,018
Inland Wetlands	1,000	-	1,000	636	(364)
Conservation Commission	100	-	100	-	(100)
SCRRRA Subsidy	8,000	-	8,000	10,063	2,063

See accountants' report.

Town of North Stonington, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund and Town Aid Road Fund
For the Year Ended June 30, 2009

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Water Management	1	-	1	-	(1)
Special Revenue/Grants	1	-	1	-	(1)
CIRMA Insurance Credits	1	-	1	95	94
Fire Marshall	100	-	100	-	(100)
Miscellaneous	5,000	-	5,000	37,299	32,299
Sale of Fixed Assets	1	-	1	-	(1)
Seaport Property	-	814,390	814,390	814,390	-
Cemetery Drainage Reimbursement	-	-	-	1,580	1,580
Rent Hewitt Property	-	-	-	15,842	15,842
Contractor's Tipping Fees	62,500	-	62,500	111,294	48,794
Bond Proceeds	485,000	-	485,000	-	(485,000)
Total Other Revenue	654,454	814,390	1,468,844	1,031,590	(437,254)
Total Revenues	17,790,210	814,390	18,604,600	18,291,796	(312,804)

Expenditures:
General Government

Board of Selectmen

Salary - First Selectman	52,380	-	52,380	52,380	-
Salary - Second Selectman	2,400	-	2,400	2,400	-
Salary - Third Selectman	2,400	-	2,400	2,400	-
Salary - Secretary	46,355	-	46,355	46,355	-
Salary - Bookkeeper	41,829	-	41,829	41,829	-
Boards of Commissions Clerical	1,000	-	1,000	414	586
Selectmen's Expenditures	2,500	-	2,500	2,498	2
Office Expenditures	2,250	-	2,250	2,250	-
Council of Small Towns	825	-	825	825	-
Certifications/Seminars	1,250	-	1,250	1,249	1
SE CT Council of Governments	2,496	-	2,496	2,496	-
Travel Expenditures	50	-	50	-	50
Auditing and Accounting Consulting	6,000	-	6,000	6,000	-
Total Board of Selectmen	161,735	-	161,735	161,096	639

Probate Court Expenditures

	4,000	-	4,000	4,000	-
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Board of Finance

Operating Expenditures	2,400	-	2,400	257	2,143
Auditing	23,700	-	23,700	19,950	3,750
Town Report	250	-	250	-	250
Total Board of Finance	26,350	-	26,350	20,207	6,143

Assessor's Office

Salary - Assessor	60,283	-	60,283	60,283	-
Wages - Assessor's Assistant	40,511	-	40,511	40,518	(7)
Office Expenses	3,000	-	3,000	2,994	6
Seminars	750	-	750	384	366
Computer Expenses	8,400	-	8,400	8,400	-
Travel Expenditures	300	-	300	-	300
Consulting	1	-	1	-	1
Total Assessor's Office	113,245	-	113,245	112,579	666

Board of Tax Review/Assessment Appeals

	1,500	-	1,500	1,400	100
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Tax Collector

Salary - Tax Collector	31,042	-	31,042	31,054	(12)
Salary - Clerical	5,408	-	5,408	1,344	4,064
Office Expenditures	5,200	-	5,200	5,200	-
Computer	6,500	-	6,500	6,420	80
Travel Expenditures	250	-	250	94	156
Total Tax Collector	48,400	-	48,400	44,112	4,288

See accountants' report.

Town of North Stonington, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund and Town Aid Road Fund
For the Year Ended June 30, 2009

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Town Treasurer					
Salary	6,180	-	6,180	6,180	-
Office Expenditures	1	-	1	-	1
Travel Expenditures	1	-	1	-	1
Total Treasurer	<u>6,182</u>	<u>-</u>	<u>6,182</u>	<u>6,180</u>	<u>2</u>
Town Attorney	<u>30,000</u>	<u>1,025</u>	<u>31,025</u>	<u>27,323</u>	<u>3,702</u>
Annexation Related Expenditures					
Annexation Related Expenditures	2,500	2,240	4,740	4,738	2
Tribal Recognition	7,500	(3,265)	4,235	4,233	2
Total Annexation Related Expenditures	<u>10,000</u>	<u>(1,025)</u>	<u>8,975</u>	<u>8,971</u>	<u>4</u>
Town Clerk					
Salary - Town Clerk	41,211	-	41,211	41,211	-
Wages - Assistant	16,223	-	16,223	16,223	-
Office Expenditures	6,500	-	6,500	4,979	1,521
Travel Expenditures	50	-	50	-	50
Land Records	7,200	-	7,200	7,200	-
Total Town Clerk	<u>71,184</u>	<u>-</u>	<u>71,184</u>	<u>69,613</u>	<u>1,571</u>
Planning and Zoning Commission					
Salary - Zoning Officer	51,500	-	51,500	51,500	-
Wages - Secretary	34,882	-	34,882	34,417	465
Operating Expenditures	5,000	-	5,000	5,000	-
Travel	750	-	750	750	-
Attorney	30,000	-	30,000	30,000	-
Contracted Consulting Services	8,000	-	8,000	8,000	-
Contracted Planner	25,000	-	25,000	25,000	-
Total Planning and Zoning Commission	<u>155,132</u>	<u>-</u>	<u>155,132</u>	<u>154,667</u>	<u>465</u>
Building Department					
Salary - Building Official	27,000	-	27,000	26,996	4
Consultant	1	-	1	-	1
Operating Expenditures	1,800	-	1,800	1,251	549
Travel Expenditures	2,525	-	2,525	1,252	1,273
Total Building Department	<u>31,326</u>	<u>-</u>	<u>31,326</u>	<u>29,499</u>	<u>1,827</u>
Zoning Board of Appeals	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Sch. Building and Planning Committee	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>
Economic Development Commission					
Operating Expenditures	5,200	-	5,200	5,005	195
CT Regional Economic Development	2,247	-	2,247	2,247	-
Consulting	7,000	-	7,000	7,000	-
Total Economic Development Commission	<u>14,447</u>	<u>-</u>	<u>14,447</u>	<u>14,252</u>	<u>195</u>
Recreation Commission					
Administrative Salaries	20,794	-	20,794	20,794	-
Program Expenditures	46,572	-	46,572	43,769	2,803
Maintenance	2,300	-	2,300	2,300	-
Salary: Camp Directors, Directors, Etc.	15,754	-	15,754	-	15,754
Administrative Expenses	11,650	-	11,650	-	11,650
Other Expenditures	-	-	-	10,613	(10,613)
Part Time Payroll Expense	-	-	-	10,363	(10,363)
Total Recreation Commission	<u>97,070</u>	<u>-</u>	<u>97,070</u>	<u>87,839</u>	<u>9,231</u>
Inland Wetlands Commission					
Operating Expenditures	1,500	-	1,500	1,536	(36)
Wages - Enforcement Officer	6,365	-	6,365	6,365	-
Travel Expense	250	-	250	-	250
Total Inland Wetlands Commission	<u>8,115</u>	<u>-</u>	<u>8,115</u>	<u>7,901</u>	<u>214</u>

See accountants' report.

Town of North Stonington, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund and Town Aid Road Fund
For the Year Ended June 30, 2009

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Conservation Commission	800	-	800	102	698
Water Pollution Control Authority					
WPCA Expenditures	500	-	500	500	-
WPCA Engineering Expense	500	-	500	500	-
Total Water Pollution Control Authority	1,000	-	1,000	1,000	-
Fixed Charges					
Town Insurance	75,850	(1,510)	74,340	74,151	189
Volunteer Fire Company Insurance	24,819	-	24,819	24,703	116
Ambulance Association Insurance	11,160	(260)	10,900	10,765	135
Workers Compensation Insurance	56,154	-	56,154	54,257	1,897
Social Security	104,700	-	104,700	103,359	1,341
Medical Insurance	256,429	(2,975)	253,454	253,452	2
Employee Benefits-Pension	87,708	1,510	89,218	89,199	19
Volunteer Incentive Award - Fire Company	18,975	-	18,975	17,738	1,237
Volunteer Activity Stipend - Fire Company	36,000	-	36,000	35,959	41
Volunteer Incentive Award - Ambulance Association	3,500	-	3,500	2,287	1,213
Total Fixed Charges	675,295	(3,235)	672,060	665,870	6,190
Elections and Town Meetings					
Salary: Registrar of Voters	4,650	-	4,650	4,650	-
Salary: Registrar of Voters	4,650	-	4,650	4,650	-
Expenses	16,458	-	16,458	10,147	6,311
Total Elections and Town Meetings	25,758	-	25,758	19,447	6,311
Town Hall					
Expenditures	70,675	-	70,675	65,936	4,739
Leasing Equipment	9,750	-	9,750	10,025	(275)
Holly Green Rental - Court/Nursing	4,500	-	4,500	4,282	218
Holly Green Rental - Senior Center	1,500	-	1,500	1,500	-
Network/Computer Maintenance-Salary	15,915	-	15,915	15,321	594
Network/Computer Maintenance	7,665	-	7,665	7,665	-
Total Town Hall	110,005	-	110,005	104,729	5,276
Social Services/Welfare					
Wages - Social Services Coordinator	7,200	-	7,200	7,200	-
Welfare Benefits	7,800	-	7,800	6,942	858
Welfare Office Expenditures	1	-	1	-	1
Pawcatuck Neighborhood Center	17,500	-	17,500	17,500	-
Family Services	2,500	-	2,500	2,500	-
American Red Cross	1,000	-	1,000	1,000	-
Women's Center	2,250	-	2,250	2,250	-
Frank Olean Regional Center	1,400	-	1,400	1,400	-
NL County Assn. / Retarded Citizens	1,575	-	1,575	1,575	-
Easter Seals Rehabilitation Center	1,500	-	1,500	1,500	-
TVCCA	1,465	-	1,465	1,465	-
Literacy Volunteers	500	-	500	500	-
Salvation Army	500	-	500	500	-
Mystic Shelter	2,000	-	2,000	2,000	-
United Way of SE CT	500	-	500	500	-
Total Social Services/Welfare	47,691	-	47,691	46,832	859
Selectmen's Engineering Service					
Engineering for Selectmen	5,000	-	5,000	5,000	-
Inspection of New Roads	5,000	-	5,000	-	5,000
Water Management	5,000	-	5,000	4,618	382
Inspection of Existing Roads	4,500	-	4,500	3,000	1,500
Total Selectmen's Engineering Service	19,500	-	19,500	12,618	6,882

See accountants' report.

Town of North Stonington, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund and Town Aid Road Fund
For the Year Ended June 30, 2009

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Information Technology					
Coordinator Salary	18,565	-	18,565	18,565	-
Office Expense	2,000	-	2,000	1,782	218
Digitized Mapping Maintenance	10,300	-	10,300	10,300	-
Seminars/Courses	85	-	85	-	85
On-line GIS Maps	2,000	-	2,000	2,000	-
GIS Updates	2,500	-	2,500	2,460	40
Total Information Technology	35,450	-	35,450	35,107	343
Public Safety					
911 Dispatching	50,446	-	50,446	50,446	-
Volunteer Fire Company	89,899	-	89,899	89,834	65
Fire Marshal Salary	10,769	-	10,769	10,769	-
Fire Marshal Operating Expenditures	2,500	-	2,500	2,417	83
State Troopers	386,062	54,937	440,999	433,109	7,890
Civil Preparedness Agency Stipend	6,000	-	6,000	6,000	-
Civil Preparedness Operating Expenditures	3,000	-	3,000	1,319	1,681
Maintenance Emergency Gen. Svc. Contract	1,000	-	1,000	981	19
Animal Control Salary	19,107	-	19,107	19,107	-
Animal Control Operating Expenditures	7,500	-	7,500	6,744	756
Dog Damages	1	-	1	-	1
Ambulance Association	213,603	2,975	216,578	216,577	1
Total Public Safety	789,887	57,912	847,799	837,303	10,496
Public Works:					
Highway					
Local Capital Improvements	49,682	60,000	109,682	51,578	58,104
State Aided - Town Roads	121,234	-	121,234	121,234	-
Town Road Maintenance	167,000	-	167,000	142,689	24,311
Town Garage Expenditures	25,750	-	25,750	25,073	677
Machinery and Maintenance Repair	55,000	-	55,000	54,844	156
Street Lights	10,000	-	10,000	8,884	1,116
Highway Foreman	74,964	-	74,964	74,964	-
Labor	554,246	-	554,246	535,030	19,216
Supplies	36,000	-	36,000	36,000	-
Diesel and Gas (General Government)	91,625	-	91,625	71,278	20,347
Town Property - Maintenance and Improvements	7,750	-	7,750	7,611	139
Town Property - Labor	13,750	-	13,750	13,720	30
Contracted Services	18,500	-	18,500	18,500	-
Subtotal Highway	1,225,501	60,000	1,285,501	1,161,405	124,096
Sanitary Landfill					
Labor	123,937	-	123,937	123,564	373
Cover Material	3,000	-	3,000	3,000	-
State Mandated Surveys	3,000	-	3,000	1,850	1,150
State License Fees	1,650	-	1,650	1,650	-
SCRRA-Tipping Fee	177,500	-	177,500	192,089	(14,589)
Hazardous Waste Collection	2,500	-	2,500	4,000	(1,500)
Water Sampling/Lab Testing	15,000	-	15,000	15,908	(908)
Transfer Station Expenditures	9,000	-	9,000	9,035	(35)
Contractual Services	16,500	-	16,500	16,691	(191)
Subtotal Sanitary Landfill	352,087	-	352,087	367,787	(15,700) *
Total Public Works	1,577,588	60,000	1,637,588	1,529,192	108,396
Conservation of Health					
Public Health Nursing/Shoreline Visiting Nurse Assoc.	7,664	-	7,664	2,509	5,155
Hepatitis B Vaccinations	1,000	-	1,000	1,000	-
Director of Health Salary	12,000	-	12,000	12,000	-
Director of Health Operating Expense	750	-	750	397	353
Sanitarian Food Service Wages	6,000	-	6,000	4,885	1,115
Sanitarian Well and Septic Salary	14,000	-	14,000	14,003	(3)
Sanitarian Operating Expenditures	800	-	800	-	800
Total Conservation of Health	42,214	-	42,214	34,794	7,420

See accountants' report.

Town of North Stonington, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund and Town Aid Road Fund
For the Year Ended June 30, 2009

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Senior Citizens					
Agent for the Elderly Wages	6,000	-	6,000	6,000	-
Agent for the Elderly Operating Expenditures	1,500	-	1,500	-	1,500
Senior Citizen's Center Coordinator - Salary	19,096	-	19,096	19,096	-
Senior Citizen's Center - Operating Expenditures	29,500	-	29,500	24,822	4,678
Total Senior Citizens	56,096	-	56,096	49,918	6,178
Miscellaneous					
Cemeteries	2,000	-	2,000	1,903	97
Tax Refunds	1	260	261	261	-
Annual Memberships and Dues	3,750	-	3,750	3,750	-
Groton Library	500	-	500	500	-
Wheeler Library	22,250	-	22,250	22,250	-
YMCA	500	-	500	500	-
Miscellaneous	500	-	500	430	70
Total Miscellaneous	29,501	260	29,761	29,594	167
Total General Government Expenditures	4,191,571	114,937	4,306,508	4,118,145	188,363
Redemption of Debt					
School Building Project Principal	600,000	-	600,000	600,000	-
School Building Project Interest	131,875	-	131,875	131,875	-
Borrowing Finance Charges - Fire Truck	5,000	-	5,000	478	4,522
Borrowing Finance Charges - Seaport Property	5,000	-	5,000	5,000	-
Borrowing Finance Charges - Little League	5,000	-	5,000	-	5,000
Total Redemption of Debt	746,875	-	746,875	737,353	9,522
Board of Education	11,902,560	-	11,902,560	11,669,490	233,070
Capital Outlay					
Highway Department					
New or Used Equipment	16,225	-	16,225	16,054	171
Miscellaneous Equipment	5,000	-	5,000	4,170	830
Equipment Lease/Buy (2 Dump Trucks)	54,552	29,385	83,937	83,937	-
Dump Truck/Sander/Plow	60,000	-	60,000	60,000	-
Total Highway Department	135,777	29,385	165,162	164,161	1,001
Total Transfer Station/Bulky Waste Area	5,000	-	5,000	5,000	-
Selectmen					
Ambulance Association Equipment	11,600	-	11,600	9,966	1,634
Computer - Town Hall	16,500	-	16,500	16,500	-
Dog Pound Maintenance	2,000	-	2,000	1,846	154
Recreation Pavillion and Reconditioning Playing Field	2,500	-	2,500	2,233	267
Selectmen's Office Equipment and Furniture	5,000	-	5,000	4,380	620
Town Buildings Maintenance	12,000	-	12,000	12,000	-
Town Clerk - Records Preservation	7,000	-	7,000	7,000	-
Town Lands Acquisition Fund	10,000	-	10,000	10,000	-
Fire Company - Equipment/Hose	5,000	-	5,000	3,866	1,134
Fire Company - Turnout Gear	12,500	-	12,500	11,798	702
Reverse 911	10,000	-	10,000	10,000	-
Seaport Property	-	814,390	814,390	814,390	-
Town Building Solar Power	50,000	-	50,000	50,000	-
VFC - Engine 1	535,000	-	535,000	535,000	-
Total Selectmen	679,100	814,390	1,493,490	1,488,979	4,511
Assessor Revaluation Expense	40,000	-	40,000	40,000	-
Non-Recurring School Expenditures	75,000	-	75,000	75,000	-
Total Capital Outlay	934,877	843,775	1,778,652	1,773,140	5,512

See accountants' report.

Town of North Stonington, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund and Town Aid Road Fund
For the Year Ended June 30, 2009

	Original Budget	Appropriations and Transfers	Final Budget	Actual Budgetary Basis	Variance
Total Expenditures	17,775,883	958,712	18,734,595	18,298,128	436,467
Excess (Deficiency) of Revenues					
Over Expenditures - Budgetary Basis	14,327	(144,322)	(129,995)	(6,332)	123,663
Adjustments to Generally Accepted Accounting Principles (GAAP):					
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Teachers' Retirement				880,142	
Expenditures for Teachers' Retirement				(880,142)	
Change in Accrued Payroll Not Recorded on a Budgetary Basis				2,026	
Encumbrances recorded on Budget Basis, but not on the Modified Accrual Basis				227,111	
Previous Year Encumbrance recorded on Modified Accrual Basis, but not the Budget Basis				(69,600)	
Change in Board of Education Pension Payable				2,417	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures					
and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ 155,622</u>	

Notes to Required Supplementary Information: A formal, legally approved, annual budget is adopted for the General Fund. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. The Town recognizes encumbrances payable as an expenditure in the year they were committed; 3. Revenues and expenditure from refunding or renewing long-term debt or issuing lease financing is included in the budget as the net revenue or expenditure expected; 4. General government payroll and the Board of Education's pension contribution are recorded on a cash basis.

* Indicates these funds were over expended

Town of North Stonington, Connecticut Fund Descriptions

Special Revenue Funds:

School Lunch Fund – The school cafeteria programs are run through this fund. Besides the fees charged to students, the revenue comes from the Federal and State reimbursements for free and reduced lunches to low income individuals.

Special Education Grants – This fund is used to account for a number of Federal, State and local educational grants. These grants are applied for by the school and most are monitored by the State and Federal governments.

Inland Wetland Mitigation Fund – This fund is used to account for fees restricted for inland and wetland mitigation.

Open Space Fund – This fund is used to account for fees restricted for open space.

Edmund McGowan Scholarship Fund and Scholarships held by School – These funds have accumulated various memorial and other donations to be used for specific scholarships at the schools.

Capital Project Funds:

LOCIP Fund – This fund is used to account for payments that are eligible for reimbursement from the State's Local Capital improvement Program (LOCIP).

Pension Trust Funds:

These funds are used to account for various pension and incentive monies the Town is holding as trustee. These Funds are held for the following groups of individuals: **Volunteer Fire Fighters; Volunteer Ambulance Workers; General Government; and Board of Education.**

Agency Funds:

Student Activity Fund – These funds are being held for various student groups.

Performance Bonds – These funds are being held in trust pending the completion of various development projects.

Town of North Stonington, Connecticut
Combining Balance Sheet
Other Governmental Funds
June 30, 2009

	Special Revenue Funds								Capital Project		Total Other Governmental Funds
	School Lunch Fund	Special Education Grants	Inland Wetland Mitigation	Open Space	Edmund McGowan Scholarship Fund	Scholarships Held by School	Fund				
							LOCIP Fund				
Assets											
Cash and cash equivalents	\$ 8,337	\$ -	\$ 13,157	\$ 383	\$ 18,937	\$ 5,732	\$ -	\$ -	\$ -	46,546	
Receivables	12,790	2,000	-	-	-	-	-	5,209	-	19,999	
Due from other governmental funds	-	31,520	-	-	-	-	-	-	-	31,520	
Due from fiduciary funds	-	-	-	-	-	11,624	-	-	-	11,624	
Total Assets	\$ 21,127	\$ 33,520	\$ 13,157	\$ 383	\$ 18,937	\$ 17,356	\$ 5,209	\$ 5,209	\$ -	109,689	
Liabilities and Fund Balance											
Liabilities											
Accounts payable	\$ 16,136	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	16,136	
Deferred revenue	-	33,520	-	-	-	-	-	5,209	5,209	38,729	
Due to other governmental funds	-	-	-	-	-	-	-	5,209	5,209	5,209	
Total Liabilities	16,136	33,520	-	-	-	-	-	10,418	-	60,074	
Fund Balance											
Reserved	-	-	13,157	383	-	-	-	-	-	13,540	
Unreserved	4,991	-	-	-	18,937	17,356	(5,209)	(5,209)	-	36,075	
Total Fund Balance	4,991	-	13,157	383	18,937	17,356	(5,209)	(5,209)	-	49,615	
Total Liabilities and Fund Balance	\$ 21,127	\$ 33,520	\$ 13,157	\$ 383	\$ 18,937	\$ 17,356	\$ 5,209	\$ 5,209	\$ -	109,689	

See accountants' report.

Town of North Stonington, Connecticut
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2009

	Special Revenue Funds								Capital Project Fund		Total Other Governmental Funds
	School Lunch Fund	Special Education Grants	Inland Wetland Mitigation		Open Space	Edmund McGowan Scholarship Fund	Scholarships Held by School	LOCIP Fund			
Revenues											
Intergovernmental revenues	\$ 75,592	\$ 308,978	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	\$ 384,570	
Local revenues	205,841	-	285	129	129	1	1,798	-	-	208,054	
Total revenues	281,433	308,978	285	129	129	1	1,798	-	-	592,624	
Expenditures											
Current expenditures:											
General government	-	-	-	-	-	-	-	-	-	-	
Public works	-	-	-	-	-	-	-	-	-	-	
Education	290,891	308,978	-	-	-	1,000	7,422	-	-	608,291	
Total expenditures	290,891	308,978	-	-	-	1,000	7,422	-	-	608,291	
Excess (deficiency) of revenues over expenditures	(9,458)	-	285	129	129	(999)	(5,624)	-	-	(15,667)	
Other financing sources and (uses)											
Operating transfers in	-	-	-	-	-	-	-	-	-	-	
Operating transfers out	-	-	(50,000)	(37,715)	(37,715)	-	-	-	-	(87,715)	
Total other financing sources and (uses)	-	-	(50,000)	(37,715)	(37,715)	-	-	-	-	(87,715)	
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	(9,458)	-	(49,715)	(37,586)	(37,586)	(999)	(5,624)	-	-	(103,382)	
Fund balance, beginning of the year	14,449	-	62,872	37,969	37,969	19,936	22,980	(5,209)	(5,209)	152,997	
Fund balance, end of the year	\$ 4,991	\$ -	\$ 13,157	\$ 383	\$ 383	\$ 18,937	\$ 17,356	\$ (5,209)	\$ (5,209)	\$ 49,615	

See accountants' report.

Town of North Stonington, Connecticut
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2009

Statement 3

	Volunteer Fire Incentive	Volunteer Ambulance Incentive	General Government Retirement	Board of Education Retirement	Total Pension Trust Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 952	\$ -	\$ 952
Investments	108,397	39,080	-	1,004,928	1,152,405
Accounts receivable	-	-	-	81,778	81,778
Total assets	108,397	39,080	952	1,086,706	1,235,135
Net assets					
Held in trust for pension benefits and other purposes	\$ 108,397	\$ 39,080	\$ 952	\$ 1,086,706	\$ 1,235,135

See accountants' report.

Town of North Stonington, Connecticut
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2009

	Volunteer Fire Incentive	Volunteer Ambulance Incentive	General Government Retirement	Board of Education Retirement	Total Pension Trust Funds
Additions					
Contributions	\$ 24,868	\$ 4,414	\$ -	\$ 87,265	\$ 116,547
Interest	-	-	37	3,202	3,239
Total additions in net assets	24,868	4,414	37	90,467	119,786
Deductions					
Distributions	16,695	15,176	1,459	-	33,330
Administrative expenses	924	1,665	150	20,794	23,533
Total deductions	17,619	16,841	1,609	20,794	56,863
Change in net assets	7,249	(12,427)	(1,572)	69,673	62,923
Net assets held in trust, beginning of year	101,148	51,507	2,524	1,017,033	1,172,212
Net assets held in trust, end of year	\$ 108,397	\$ 39,080	\$ 952	\$ 1,086,706	\$ 1,235,135

See accountants' report.

Town of North Stonington, Connecticut
Combining Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Year Ended June 30, 2009

	Balance Beginning		Additions		Deductions		Balance Ending
Student Activity Fund							
Assets							
Cash	166,127	\$	190,357	\$	221,419	\$	135,065
Liabilities							
Due to students	148,871		190,357		217,573		121,655
Due to other funds	17,256		-		3,846		13,410
Total liabilities	\$ 166,127	\$	190,357	\$	221,419	\$	135,065
Performance Bonds							
Assets							
Cash	\$ 509,107	\$	131,282	\$	291,380	\$	349,009
Liabilities							
Due to developers	\$ 509,107	\$	131,282	\$	291,380	\$	349,009
Combined Total							
Assets							
Cash	\$ 675,234	\$	321,639	\$	512,799	\$	484,074
Liabilities							
Due to students and developers	\$ 657,978	\$	321,639	\$	508,953	\$	470,664
Due to other funds	17,256		-		3,846		13,410
	\$ 675,234	\$	321,639	\$	512,799	\$	484,074

See accountants' report.

Town of North Stonington, Connecticut
Report of the Property Tax Collector
For the Year Ended June 30, 2009

Grand List	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year			Transfer to Suspense	Taxes Over Paid	Ending Receivable Balance
			Additions	Deductions		Taxes	Interest	Liens			
2007		\$ 12,106,932	\$ -	\$ 8,884	\$ 12,098,048	\$ 11,837,392	\$ 52,384	\$ 428	\$ 11,890,204	\$ -	\$ 260,656
2006	264,497	-	-	2,628	261,869	169,057	36,362	2,214	207,633	-	92,812
2005	65,851	-	-	321	65,530	25,425	9,773	463	35,661	-	40,105
2004	29,970	-	-	61	29,909	3,153	2,442	72	5,667	-	26,756
2003	17,957	-	-	731	17,226	953	598		1,551	20,109	(3,836)
2002	16,527	-	-	563	15,964	879	712		1,591	16,064	(979)
2001	(5,835)	-	-	543	(6,378)	(10)			(10)	-	(6,368)
2000	(1,104)	-	-	533	(1,637)	-	-	-	-	-	(1,637)
1999	130	-	-	-	130	-	-	-	-	-	130
1998	2,065	-	-	-	2,065	-	-	-	-	-	2,065
1997	1,500	-	-	-	1,500	-	-	-	-	-	1,500
1996	2,149	-	-	-	2,149	-	-	-	-	-	2,149
1995	3,461	-	-	-	3,461	-	-	-	-	-	3,461
1994	2,813	-	-	-	2,813	-	-	-	-	-	2,813
1993	2,442	-	-	-	2,442	-	-	-	-	-	2,442
1992	2,835	-	-	-	2,835	-	-	-	-	-	2,835
	\$ 405,258	\$ 12,106,932	\$ -	\$ 14,264	\$ 12,497,926	\$ 12,036,849	\$ 102,271	\$ 3,177	\$ 12,142,297	\$ 36,173	\$ 424,904

See accountants' report.

Town of North Stonington, Connecticut
Schedule of LOCIP Funds
For the Year Ended June 30, 2009

Department	Summary of Project Budgets (Cash Basis)						
	Beginning Balance	Additional Awards	Funds Budgeted	Total Available	Monies Received	Internal Transfers	Ending Balance
Projects approved by the State:							
Scales							
102-05-010	\$ 14,873	\$ -	\$ -	\$ 14,873	\$ -	\$ -	\$ 14,873
Wintechog Hill Road Drainage/Improvements	21,429	-	-	21,429	(18,985)	-	2,444
102-08-010							
Wintechog Hill Road Drainage/Paving	-	-	49,111	49,111	-	-	49,111
102-09-010							
	36,302	-	49,111	85,413	(18,985)	-	66,428
Projects not yet approved by the State:							
Town Hall Renovations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Storm Water Drainage **	5,209	-	-	5,209	-	-	5,209
Painting of Salt and Sand Shed	-	-	-	-	-	-	-
Chipseal Denison Hill Road	24,666	-	-	24,666	-	-	24,666
Wintechog Hill Road Drainage/Paving	-	-	889	889	-	-	889
Kingwood Meadowood Drainage	-	-	30,000	30,000	-	-	30,000
Boombidge Road Bridge	-	-	30,000	30,000	-	-	30,000
Uncommitted	172,316	49,739	(110,000)	112,055	-	-	112,055
	202,191	49,739	(49,111)	202,819	-	-	202,819
	\$ 238,493	\$ 49,739	\$ -	\$ 288,232	\$ (18,985)	\$ -	\$ 269,247

These Funds are held by the State of Connecticut and are available for reimbursement to the town for eligible LOCIP projects

** Reimbursement needs to be requested

See accountants' report.

Town of North Stonington, Connecticut
Schedule of Changes in Fund Balance of the Capital Nonrecurring Fund
For the Year Ended June 30, 2009

Department	Summary of Capital and Nonrecurring Fund										Ending Fund Balance	
	Beginning Fund Bal.	Current Year General Fund Budget	Transfer Out	Internal Transfers	Revenues Reported	Total Available	Expenditures	Undesignated	Reserved or Designated			
Projects:												
Uncommitted/reserved for next year	\$ 431,509	\$ -	\$ (23,890)	\$ (65,000)	\$ 4,003	\$ 346,622	\$ -	\$ 346,622	\$ -			
Engine 1 fire truck	-	498,644	-	-	-	498,644	-	-	-			498,644
Revaluation	106,709	40,000	-	-	-	146,709	-	-	-			146,709
Wash station	118,150	-	-	-	-	118,150	-	-	-			118,150
Hewitt property	-	197,601	(92,785)	-	-	104,816	(21,309)	-	-			83,507
Transfer station/ bulky waste closure	76,645	-	-	-	-	76,645	-	-	-			76,645
Other post employment benefits	-	-	-	65,000	-	65,000	-	-	-			65,000
LoCIP - scales	38,812	-	-	-	-	38,812	-	-	-			38,812
Nonrecurring school funds	66,723	75,000	-	-	-	141,723	(106,788)	-	-			34,935
Ambulance	158,151	-	-	-	-	158,151	(152,668)	-	-			5,483
Assekonnk walkway	3,560	-	-	-	-	3,560	(364)	-	-			3,196
Town building solar	-	50,000	-	-	-	50,000	(48,355)	-	-			1,645
Town building repair and maintenance	220	12,000	-	-	-	12,220	(12,139)	-	-			81
Land acquisition	100,000	10,000	(110,000)	-	-	-	-	-	-			-
	\$ 1,100,479	\$ 883,245	\$ (226,675)	\$ -	\$ 4,003	\$ 1,761,052	\$ (341,623)	\$ 346,622	\$ 1,072,807			

See accountants' report.

Town of North Stonington, Connecticut
Reconciliation of Fund Balance
For the Year Ended June 30, 2009

	Fund Balance			Total General Fund Balance
	Undesignated	Designated	Reserved	
Beginning Fund Balance Per Prior Year Audit				
Undesignated	\$ 1,330,633	\$ -	\$ -	\$ 1,330,633
Reserved for Subsequent Year's Budget	-	-	-	-
	1,330,633	-	-	1,330,633
Current Year Effects				
Revenues (Budgetary Basis - RSI)	18,291,796	-	-	18,291,796
Genl Fund Expenditures Only (Budgetary Basis - RSI):				
General Government	(4,118,145)	-		(4,118,145)
Education	(11,669,490)	-		(11,669,490)
Capital Outlay	(1,773,140)	-	-	(1,773,140)
Debt Service	(737,353)	-	-	(737,353)
Adjustment from GAAP to budgetary basis	161,954	-	-	161,954
	155,622	-	-	155,622
Set Aside to Balance This Year's Budget	-	-	-	-
Set Aside for Other Reservations	(258,725)	-	258,725	-
Ending Fund Balance	<u>\$ 1,227,530</u>	<u>\$ -</u>	<u>\$ 258,725</u>	<u>\$ 1,486,255</u>

Reconciliation of Fund Balance Transactions with Budgeted Transactions

Beginning Fund Balance as Adjusted		\$ 1,330,633
Originally Budgeted Revenues	17,790,210	
Originally Budgeted Expenditures	(17,775,883)	
Use of Fund Balance as Originally Budgeted		14,327
Net Additional Appropriations During the Year	(144,322)	(144,322)
Additional Use of Fund Balance as Approved		
Revenue Budget in Excess of Actual	(312,804)	
Expenditure Budget in Excess of Actual	436,467	
Total Budget Variance		123,663
Adjustments to GAAP Basis From Budgetary Basis		161,954
		<u>\$ 1,486,255</u>

See accountants' report.

Town of North Stonington, Connecticut
Detailed Schedule of Board of Education Expenditures
Budget vs. Actual (Budgetary Basis)
For the Year Ended June 30, 2009

Account #	Account Name	Original Budget	Expenditures	Variance
110	Salaries, Central Office	\$ 428,327	\$ 445,263	\$ (16,936)
130	Expenses, Central Office	115,711	239,359	(123,648)
140	Negotiations Funds	43,496	-	43,496
211	Salaries, Administrators	317,727	300,077	17,650
213	Salaries, Teachers	5,511,880	5,434,502	77,378
214	Salaries, Guidance	149,340	130,288	19,052
215	Salaries, Secretarial	134,100	143,307	(9,207)
216	Salaries, Aides and Assistants	360,558	340,158	20,400
217	Salaries, Library	80,721	78,961	1,760
218	Contracted Services	88,000	86,051	1,949
219	Salaries, Computer Repair Technicians	73,500	73,500	-
220	Textbooks	3,440	5,638	(2,198)
231	Library Books	16,774	16,778	(4)
240	Instructional Supplies	139,726	134,816	4,910
250	Other Expenses, Schools	119,833	105,655	14,178
400	Supplies, Health	4,000	3,685	315
500	Transportation	905,070	791,954	113,116
610	Salaries, Custodial/Grounds	374,310	398,798	(24,488)
630	Heat	223,757	71,602	152,155
640	Utilities	257,528	232,819	24,709
650	Custodial Supplies	60,993	56,053	4,940
661	Postage	9,208	10,087	(879)
700	Maintenance, Bldgs & Grounds	176,604	188,882	(12,278)
725	Lease of Equipment (multiyear)	33,519	28,075	5,444
730	Replacement of Equipment	58,101	95,488	(37,387)
812	Social Security	181,439	186,025	(4,586)
830	Employee Benefits	1,609,098	1,619,914	(10,816)
832	Employee Retirement	93,503	88,628	4,875
1000	Student Activities	71,916	45,372	26,544
1230	New Equipment	11,741	75,890	(64,149)
1400	Tuition	248,640	241,865	6,775
		<u>\$ 11,902,560</u>	<u>\$ 11,669,490</u>	<u>\$ 233,070</u>

See accountants' report.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Finance
Town of North Stonington, Connecticut
North Stonington, Connecticut

We have audited the basic financial statements of the Town of North Stonington, Connecticut as of and for the year ended June 30, 2009 and have issued our report thereon dated October 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of North Stonington, Connecticut's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of North Stonington, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of North Stonington, Connecticut's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and others deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items MW-07-1, MW-07-2, MW-07-3, MW-07-5, MW-08-1, MW-08-2, and MW-08-3 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiency described in the accompanying schedule of findings and questioned costs as item SD-07-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of North Stonington, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town of North Stonington, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of North Stonington, Connecticut's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management, Board of Finance, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maier + Company

October 27, 2009

**Report on Compliance with Requirements Applicable to each Major Program, on
Internal Control over Compliance in Accordance with the State Single Audit Act, and
on the Schedule of Expenditures of State Financial Assistance**

Board of Finance
Town of North Stonington, Connecticut
North Stonington, Connecticut

Compliance

We have audited the compliance of the Town of North Stonington, Connecticut with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2009. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of North Stonington, Connecticut's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of North Stonington, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of North Stonington, Connecticut's compliance with those requirements.

In our opinion, the Town of North Stonington, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the Town of North Stonington, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of North Stonington, Connecticut's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the Town of North Stonington, Connecticut's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Stonington, Connecticut as of and for the year ended June 30, 2009, and have issued our report thereon dated October 27, 2009. Our audit was performed for the purpose of forming opinions on the financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, Board of Finance, others within the entity, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Maier + Company

October 27, 2009

Town of North Stonington, Connecticut
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2009

State Program Pass-through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Department of Education		
Child Nutrition Program	11000-SDE64370-16072	\$ 9,465
Adult Education	11000-SDE64370-17030	7,287
Magnet School Transportation	11000-SDE64370-17057	7,800
Health & Welfare Private School Pupil	11000-SDE64370-17034	4,574
Judicial Department		
Distributions to Towns	34001-JUD95162-40001	15,214
Office of Policy and Management		
Property Tax Relief Elderly Circuit Breaker	11000-OPM20600-17018	32,602
Property Tax Relief for Veterans	11000-OPM20600-17024	6,396
Heating Assistance Schools	11000-OPM20600-17096	9,614
Local Capital Improvement Program (LOCIP)	11000-OPM20600-40254	49,111
State Library		
Historic Document Preservation	12060-CSL66094-35150	7,000
Department of Transportation		
Town Aid Road Grant - Transportation Fund	12001-DOT57131-17036	121,473
Office of the State Comptroller		
Payment in Lieu of Taxes - State Property	11000-OSC15910-17004	28,597
Mashantucket Pequot Grant	12009-OSC15910-17005	969,895
Boat Grant	12027-OSC15910-40211	3,642
Total State Financial Assistance Before Exempt Programs		<u>1,272,670</u>
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041	2,913,921
School Construction - Interest	13009-SDE64370-40896	58,277
School Construction - Principal	13010-SDE64370-40901	352,937
Transportation of School Children - public	11000-SDE64370-17027	113,068
Excess Cost - Student Based	11000-SDE64000-17047	45,098
Total Exempt programs		<u>3,483,301</u>
Total State Financial Assistance		<u>\$ 4,755,971</u>

See accountants' report

Town of North Stonington, Connecticut
Notes to the Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2009

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of North Stonington, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of North Stonington, Connecticut conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

A. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, when applicable. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Certain revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**Town of North Stonington, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

I. Summary of Audit Results

A. Financial Statements:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

☒ Yes ☐ No

☒ Yes ☐ None reported

Noncompliance material to the financial statements noted?

☐ Yes ☒ No

B. State Financial Assistance:

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weaknesses?

☐ Yes ☒ No

☐ Yes ☒ None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

☐ Yes ☒ No

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State Core-CT Number	Expenditures
Department of Transportation:		
Town Aid Road	12001-DOT57131-17036	\$121,473
Office of the State comptroller:		
Mashantucket Pequot Grant	12009-OSC15910-17005	\$969,895

II. Findings and Questioned Costs Related to Financial Statements:

A. We issued reports, dated October 27, 2009, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.

B. Compliance - Our report on compliance indicated no reportable instances of noncompliance.

C. Internal control - Our report on internal control indicated the following:

Material Weakness(es) – A deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town of North Stonington, Connecticut's financial statements will not be prevented, or detected and corrected in a timely basis.

**Town of North Stonington, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009**

MW-07-1 – Documentation of the Components of Internal Control

Condition: The Town of North Stonington, Connecticut has numerous internal controls in place over significant processes and accounts. Not all of these controls are formally documented. It is possible for controls to change over time or not be completely understood by the individuals involved in the processes.

Recommendation: We recommend that the Town of North Stonington, Connecticut make a listing of its significant processes and accounts. Controls in each area should be documented in a procedures manual. Each of the procedures should be reviewed to determine if controls are adequate.

Management's Response: The Town of North Stonington, Connecticut has a number of accounting policies in place already. These are being reviewed and incorporated into a manual. Town of North Stonington, Connecticut will determine the significant processes for all income and expense transactions and make sure each is addressed in the manual. The manual will be reviewed and distributed to all individuals involved.

MW-07-2 – Controls over the Period-End Financial Reporting Process

Condition: The audit identified material adjustments to the Town of North Stonington, Connecticut's internally prepared financial reporting. Although these have been subsequently corrected by management, the internal reports presented and used for management decisions were materially misstated.

Recommendation: We recommend that the management of the Town of North Stonington, Connecticut review the adjustments that have been proposed by the auditor. This should be a good indication of where controls need to be improved. Additionally, the Town of North Stonington, Connecticut should consider developing specific preparation and review procedures, required documentation and checklists to review their internally prepared financial reports prior to their release.

Management's Response: The Town of North Stonington, Connecticut has hired an outside accountant to come in quarterly to review the financial reports prepared by the Town and assist with any bookkeeping questions or adjustments.

MW-07-3 – Controls over Tax Collector

Condition: The Town had set up internal control policies over the tax collections. These have changed and eroded over time.

Recommendation: We recommend that the controls be more specific and detailed. These controls should be monitored on a regular basis by an outside party to make sure that they are done and not altered.

Town of North Stonington, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Management's Response: The Town has considered this in preparing the accounting manual discussed in MW-07-1.

MW-07-5 – Balancing Cash Accounts

Condition: The Board of Education prepares a cash disbursements register and balances the disbursements to the cash account. The Town posts the transactions by batch into their double entry accounting system. The Town does not balance their own postings to the cash account. As a result postings were hundreds of thousands of dollars misstated and not noted by the Town.

Recommendation: The Town should be balancing all the bank accounts. The Town should obtain the outstanding check lists from the Board of Education to make sure that the Town has posted the items appropriately. Since this is a sweep account, the ending reconciled balance will equal the total of the outstanding checks.

Management's Response: The Town will balance all bank accounts each month. These will be reviewed quarterly by the outside accountant.

MW-08-1 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management's continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management's response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.

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- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of North Stonington, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Recommendation: We recommend that as part of developing an accounting manual, the Town of North Stonington, Connecticut consider the entity wide controls as discussed above.

Management's Response: The Town of North Stonington, Connecticut will assign a committee to work on developing the necessary entity wide controls.

MW-08-2 – Controls over Payroll

Condition: The General Government uses a payroll service. The bookkeeper gathers the approved time cards from the supervisor. The bookkeeper re-tallies the time cards and submits the information to the payroll company, receives back the signed checks and the payroll register, and distributes the pay checks. No one else reviews or approves the payroll or payroll calculations after the supervisor approves the time cards.

Recommendation: Someone, other than the bookkeeper, should review and approve the payroll register prior to the checks being distributed. The policy should then be formalized and included in the accounting manual.

Management's Response: The Town is working on reviewing the internal control framework required by COSO and will cover these areas in the accounting manual.

MW-08-3 – Fixed Asset Reporting

Condition: The Town does not keep an updated and balanced fixed asset report to calculate the depreciation by program.

Recommendation: We recommend that the Town assign someone to take responsibility for the fixed asset reporting, assure that it agrees to the prior year, allocate the fixed assets based on program and make sure that all additions, including infrastructure additions, are made.

Management's Response: The Town is including this area in the accounting manual discussed in MW-07-1.

Significant Deficiency(ies) – A deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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SD-07-1 – Internal Control over Financial Reporting

Condition: The Town of North Stonington, Connecticut presents financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The Town of North Stonington, Connecticut does not collectively possess the resources, skills and knowledge to prepare their own financial statements including footnote disclosures in accordance with GAAP.

Recommendation: The Town of North Stonington, Connecticut should consider increasing the continuing education for financial personnel or to review the qualifications of others in management (i.e. Board Members, etc.) to see if there is someone who can prepare or take responsibility for the financial statements.

Management's Response: The Town of North Stonington, Connecticut has hired an outside accountant to review the books on a quarterly basis (see above). This accountant will also sign off on the financial statements.

III. Findings And Questioned Costs Related to State Financial Assistance

No findings or questioned cost are reported relating to State financial assistance programs.